

1990 ANNUAL REPORT CHICAGO TRANSIT AUTHORITY



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Clark Burrus
Chairman



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EXECUTIVE DIRECTOR'S MESSAGE

CHICAGO TRANSIT BOARD

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FINANCIAL REPORTS

be Chicago Transit Authority ends the first year of a new decade with an impressive record of accomplishment

By any number of measurements, 1990 was one of the best years for the Authority. The year was the safest ever for passengers on our buses and trains, with an all-time low accident rate. Our fight against crime on the system continues to show improvement, with another decrease in incidents reported. Our ability to deliver buses and railcars each day for service is excellent, despite operating one of the oldest systems in the nation.

This record of achievement is the result of strong leadership, and a commitment to service on the part of the more than 13,000 men and women who make the CTA move. The Board conducted an aggressive search for a new executive director. That search was a success in 1990, and as chairman of the Board, I was delighted to present Alfred H. Savage to the CTA.

Alfred Savage brings to Chicago an unparalleled record of achievement in the transit industry. He has guided several systems, from Edmonton and Toronto, in Canada, to Buffalo, New York. While in Toronto, his leadership was instrumental in winning the award as best transit agency in North America.

The year also presented a number of management challenges for the CTA. The 1989 capital improvement program authorized by the Illinois legislature meant a record year in obligating capital projects in 1990. This work is vitally needed to keep the CTA running safely and efficiently. Many parts of our plant and infrastructure have been in service for nearly a century. Over the next five years, spending the nearly one billion dollars targeted for the CTA over the next five years is a formidable, but essential, task.

I am pleased to report that the CTA met its commitment to obligate its required capital projects in 1990. In fact, the Authority led the way among transit agencies in the Chicago region. The result of that work can be seen today, with extensive renovations to our rail system, new buses moving on Chicago's streets, and new projects beginning to improve CTA facilities.

The CTA is proud of the renewed sense of purpose that guides this agency. We face difficult challenges in 1991. Obtaining the funding needed to provide service to the riders of the CTA is a never-ending quest. Securing that funding is among the highest priorities facing the CTA.

But under our strong leadership, I am confident that 1991 will improve on the accomplishments of the past year. The CTA is moving once again to its place of pre-eminence among public transit systems across the country.

Clark Burris

Clark Burris
Chairman



Above left: Alfred Savage
Right: Clark Burrus

— *There are few challenges in the transit industry comparable to running the Chicago Transit Authority. Every day, 1.8 million riders depend on CTA buses and trains. Guiding their movement is the mission of the management and employees of this agency, the second-largest transit system in the country.*

The men and women who make the CTA move are dedicated professionals. From the bus garages, to the rail terminals, to the ticket booths, to the administrative offices, there is pride at the CTA.

The goal of the management team is to keep these employees focused on one fact. We are here to provide quality public transportation, moving people in buses and trains in a timely and efficient manner.

There are many unique challenges facing the CTA. We operate a rail system that dates back to the 1890s. Some of our facilities were built in the early 1900s. Many of our buses have travelled hundreds of thousands of miles on Chicago's streets.

And yet, in 1990, the CTA had one its best years of operation, as measured by several standards. This is a tribute to the men and women who make the CTA move. Many changes now under way will move the CTA beyond some of the challenges it now faces. New buses, facilities, and rail system improvements will carry CTA riders well into the next century.

But in 1991, there will be new series of tests. Our capital improvement program will test our ability to continue providing service as we make necessary improvements. The search for adequate operating funding seems never to end.

One certainty does remain. A good public transportation system is critical to the prosperity of Chicago, or any urban area. This city moves on the CTA, and the CTA is moving on with a sense of pride and purpose.

Alfred Savage
Executive Director



Above
Clark Burrus
Chairman



Right Natalia Delgado
Below Arthur F. Hill, Jr.



Left J. Douglas Donenfeld



Above left Milton Holzman

Above right
James F. Charlton



Left Kim Fox

H I G H L I G H T S O F 1 9 9 0





T H E S Y S T E M

There are a few images that say "Chicago." The downtown skyline is one, with three of the world's five tallest buildings. Lake Michigan says Chicago, with waves crashing on Oak Street beach on one of the city's legendary windy days. And the elevated train says Chicago, as it winds around downtown and gives the Loop its name.

It would be hard to imagine Chicago without its public transportation. Jammed expressways would grind to a halt. Downtown traffic snarls would keep thousands from moving. Workers who depend on the CTA to get to jobs would be forced to find another way to travel.



CTA Bus System

Buses in scheduled service	2,172
Bus stops	12,900
Buses, miles traveled/day	232,000
Bus routes	133

△ Photo left

Howard, Ravenswood and Evanston Express rapid transit riders use the turn platforms of the busy Belmont 'L' station, where 9,100 people enter every weekday from the street below.

At a time when the cost of gasoline climbs, and pollution levels pose new dangers, public transportation makes ever more sense. The image of Chicago would be a tattered one without the CTA.

It is also hard to imagine the size of the CTA's bus and rail system. It is the second-largest system in the country. Each weekday, 1.8 million rides are taken on buses and trains. The bus routes and rail lines wind through Chicago and 37 surrounding suburbs, serving 3.4 million people. The movement of all of these people throughout Chicago is an image the CTA looks at with pride.



CTA Rapid Transit System

Rapid transit cars	1,216
Rapid transit stations	143
Rapid transit, miles traveled/day	178,100
Rapid transit routes	6

P A S S E N G E R S A F E T Y

The first priority of any transit system carrying passengers is safety. The CTA is proud to report that 1990 was the safest year since the agency was formed, in 1947.

A safety record like ours does not come easily. Chicago can be a hostile environment for buses and trains. The city's famous weather takes its toll on our vehicles. Crowded city streets test the skills of our bus operators each day.

But through a team effort, the number of accidents during CTA's operations reached an all-time low. This number includes all reported incidents, no matter how minor.

The ways CTA achieved this record were many:

- Extensive training and retraining of CTA's bus and rail operators.
- Incentive programs that reward accident-free performance.
- Investigations of all incidents by CTA's safety department, with an eye toward corrective action.
- Strict maintenance standards ensuring safe operations.



CTA Traffic and Passenger Accidents

per 100,000 miles operated





P A S S E N G E R S E C U R I T Y

Providing passenger security is central to any public transportation system. In recent years at the CTA, a few highly publicized incidents captured headlines. These incidents masked the fact that the CTA is a very safe system.

But in 1990, the CTA dedicated itself to an even more aggressive fight against crime on the system in the wake of these incidents. Under the direction of our security staff, we have not only reduced the incidence of crime, but dramatically improved the perception of security on our system as well.

With the support of the Mayor of Chicago, the Police Department, and the state legislature, the CTA's aggressive security program has made a real difference. The ways CTA accomplished this record were many:

- **Tough law enforcement by the Chicago Police Department's Public Transportation unit, charged with patrolling CTA's buses, trains, and stations.**

(continued)

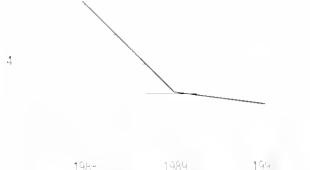
Photo above:

Improved lighting and installation of clear panels were part of security improvements at stations on CTA's Congress line. Funding was provided by money authorized by Illinois General Assembly for passenger security improvements.

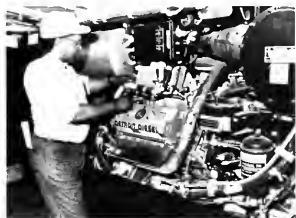
- Station improvements made possible by state funds earmarked for security. This work started in 1990 on the Congress line, where lighting and structure improvements were made to ensure passenger security.
- Supplemental security forces, including canine patrols. This program involves hiring off-duty Chicago, Evanston, and Oak Park police, again using funds provided by the Illinois General Assembly.
- Innovative security measures, including the use of video cameras. This program began on buses in 1990, and will be expanded in 1991 to selected subway platforms.

Security Incidents on CTA

(in thousands)



S E R V I C E R E L I A B I L I T Y



One standard by which transit systems are measured is the ability to meet all scheduled service. Each weekday, the CTA has 3,600 different "runs" scheduled on its bus and rail systems. In 1990, CTA filled virtually every run with operators and vehicles.

This record was achieved despite many obstacles. The CTA operates about 2,200 buses, many with hundreds of thousands of miles of service. This requires dedication on the part of the maintenance staff to keep vehicles in safe operating condition. A strict policy regarding graffiti provides another test. No vehicle is allowed into service until all exterior graffiti is removed. This has made CTA a pacesetter among large urban systems in the fight against graffiti vandalism, but it also provides a challenge to meet the schedules for service.

The CTA's record for meeting scheduled service is not matched among large urban systems, and helps ensure that everyone moving on the CTA gets to where they are going in a safe and timely manner.



Bus meets train at CTA's 95th Street station on the Dan Ryan line. Eleven bus routes connect with the station. Each weekday, 23,500 passengers board trains here, making it the CTA's busiest station.

F A R E R E S T R U C T U R I N G

As 1990 began at the CTA, it became clear that additional operating revenue would be needed to fund the system. There are several roads that could have been taken: An across-the-board fare hike, new zoned fares based on distance, or changes within the existing fare structure.

Before making this decision the CTA conducted extensive research testing different fare options. We finally decided on a program that would raise needed revenues, without resulting in a significant loss of ridership.



Our plan raised the full cash fare to \$1.25 from \$1.00, while offering many discounted options. The use of tokens or passes, or riding buses during off-peak hours, all allowed riders to save money. A token, for example, now costs 90¢ per ride, when purchased in packages of ten. Before the new plan went into effect in April, 1990, our marketing campaign drove home the point that several savings options were possible.

Traditional wisdom in the transit industry says that raising fares will cause some riders to leave the system. The wisdom now at the CTA is that with proper planning and pricing, it is possible to raise revenue and keep riders. In 1990, the CTA showed an overall revenue increase at the farebox of 5.4 percent, with a slight increase in ridership.

In 1991, this new fare structure will continue to be analyzed. The health of the economy in the Chicago region, and the level of funding provided by the state and federal governments both play a role in keeping the CTA on a solid financial base. As the CTA works with its fare structure to ensure this financial stability, it will do so with these new consumer-based fares in mind.



C A P I T A L I M P R O V E M E N T S

The first trains rolled on Chicago's elevated tracks in the early 1890s. Visitors to the Columbian Exposition of 1893 traveled along the same line that runs through Chicago's south side today. One of the subways running under the city's downtown was opened during World War II. The buses that roll on Chicago's streets are among the oldest in the nation.

The age of the CTA's equipment and facilities is, in part, what prompted an unprecedented capital improvement program for public transportation, authorized by the Illinois legislature in 1989.

In 1990, implementing that program posed a major management challenge for the CTA. The Capital Planning and Construction branch was created to manage capital projects from start to finish. The state's capital improvement program allowed the CTA to realize \$500 million over the next five years for projects. But the funding came with provisions to ensure timely spending.

The response was a record-setting pace obligating capital projects that will result in numerous improvements. In 1990, the CTA began with a capital fund backlog of \$432 million. By the beginning of 1991, unobligated funds were reduced to \$156.5 million.

(continued)

Photo above:
Structure improvements on
the Lake Street line near the
Clinton Street station



Some of the projects obligated in 1990 will take several years to complete. But some of the significant work that began in 1990 includes:

- Completion of orders for new buses, which will bring 961 new vehicles to the CTA. Total cost: \$180 million.
- Designs for track and structure improvements, which will guarantee the safe operation of CTA's rail system. Total cost: \$75 million.
- Contracts for new facilities, including a new bus garage, a new rail terminal, and other improvements. Total cost: \$80 million.

Implementing capital improvements at the CTA is a task that seems to never end.

In 1991, the first models of new railcars ordered in 1989 will arrive. In a few years, 256 new cars will be purchased, for \$240 million.

The need for more capital funding is critical. A complete inspection of CTA's rail system will undoubtedly call for more track and structure work. New federal laws, such as the Americans with Disabilities Act, and the Clean Air Act, will need substantial funding in order to accomplish their goals. Making the CTA's rail system accessible to the disabled, for example, could cost more than \$300 million. It will be the task of the CTA in 1991 and beyond to help secure this needed additional funding.



EMPLOYEE DEVELOPMENT



On several fronts, the CTA has made great strides in improving the performance and morale of its workforce. Among operating employees, informal labor-management meetings have dramatically reduced the number of grievances filed. In 1990, only 587 were filed, down from 1,211 in 1988.

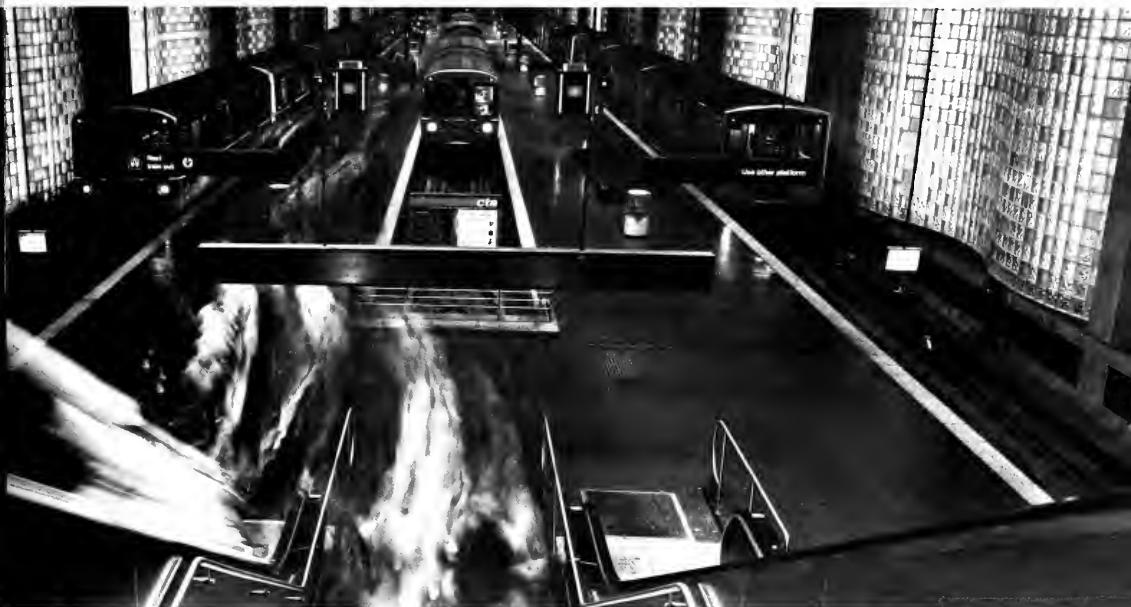
The CTA's annual Striving for Excellence awards program was expanded in 1990 to include all parts of the Authority. The program awards employees with perfect attendance, and accident-free performance, and other demanding criteria. In 1990, 1,670 met these rigorous standards.

A unique program at CTA called Red Carpet is designed to improve the relations between CTA operating employees and passengers. In 1990, these passenger oriented role-playing training sessions were expanded to include operators on many more bus and rail routes. Since 1988, 3,496 employees have gone through the training and are on the job offering Red Carpet service to CTA riders.





O U T L O O K F O R T H E F U T U R E



I M P R O V E M E N T S

The CTA looks at 1991 as a critical year for the future of public transportation. The forceful management team now in place will bring many improvements to the system which will be visible in the coming months and years. At the same time, the CTA Board and management looks with great concern at the prospects for funding public transportation, both here in the Chicago area and the nation. Decisions being made in 1991 will have reverberations for many years to come.

The two latest models of CTA buses, with front door wheelchair lifts, will move on Chicago's streets in 1991.

Among the improvements planned for 1991 and beyond:



NEW SERVICE FOR DISABLED: In 1991, the CTA begins its bus service for the disabled using buses on regular routes equipped with lifts. This service will begin in stages. Virtually all buses now on order will have lifts for the disabled. This will mean accessibility on about 40 percent of the CTA's 133 bus routes. Eventually, all CTA buses will be equipped with lifts.

NEW BUSES: The CTA's dubious distinction of operating the oldest bus fleet among large transit systems will come to an end in 1991. Two large orders will bring 961 new buses to Chicago's streets. The average age of CTA's buses was 13.5 years before the arrival of the new vehicles. That figure will be cut in half by 1992.



AUTOMATED FARE COLLECTION: During 1991, the CTA will make great strides toward automating our fare collection system. Installation of magnetic pass readers, now being tested, will be expanded during the year. This technology will allow passengers with passes to enter the system more quickly.

NEW RAIL SERVICE: Work will continue on two major projects in 1991. Construction of the new Midway line, bringing rapid transit service to the southwest side of Chicago, is on schedule. An opening of service is anticipated for late 1992, or early 1993. Also, the work to merge CTA's two busiest portions of the rapid transit system continues. The Howard line and the Dan Ryan line will be connected, with the new service planned for summer of 1992. This will allow the CTA to more efficiently distribute its railcars throughout the system, and improve service on all of the lines.



New Howard-Dan Ryan connection at 18th Street is shown in the foreground. A southbound Dan Ryan train on the current route passes by the new Midway rail line connection, now under construction.



F U N D I N G T H E F U T U R E

The CTA remains committed to efficient, cost-effective management of its system. One indication of this is the low number of administrative employees at the CTA. According to an industry association's review of large transit agencies, the CTA operates with the nation's lowest percentage of employees not directly involved in operating or maintaining the system.

But despite efforts to control costs, the CTA looks to the future with great concern. The operating budget is funded by a combination of system-generated revenue (including farebox collections), sales tax revenue, and other federal and state operating subsidies. As required by state law, the CTA must recover at least 50 percent of its operating funds from the farebox as part of its obligations under the Regional Transportation Authority's funding laws.

Funds obtained from sales tax and other subsidies, however, are not as stable.

Under the current state law distributing sales tax through the RTA region, the CTA



receives its sales tax revenue from Chicago and suburban Cook County. That source of revenue has not kept pace with inflation. In addition, future federal, state, and regional subsidies are unpredictable. The need for further capital improvements will also mean significantly increased capital funding.

Ensuring a stable and healthy source of funding will be among the CTA's greatest tasks in 1991, and beyond. But the Authority cannot fight this battle alone. Commitment to public transportation on the part of leaders from the public and private sector is vital.

As the CTA moves on, it does so with a renewed sense of pride and confidence. The strides made in recent years suggest the CTA is on track, providing quality public transportation at affordable cost to the Chicago region. With a stable source of funding, the CTA is confident it can remain among the best transit systems in North America.

The CTA is moving on the 1990s, and wants all Chicagoans to come aboard.

Outbound train on CTA's O'Hare line passes by rush hour traffic on the Kennedy Expressway





C H I C A G O T R A N S I T A U T H O R I T Y

**FINANCIAL STATEMENTS**

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FINANCIAL STATEMENTS

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HISTORICAL DATA

am pleased to present the financial results for the Chicago Transit Authority for the 1990 fiscal year.

From a financial perspective, 1990 was a successful year for the CTA. Although expenses were 7.6% higher than 1989, system generated revenues grew by 11.3% and the revenue recovery ratio improved to 54.7% from 50.4% in the prior year.

The primary impacts upon expenses were labor, material, fuel and claims costs.

Labor cost, which includes fringe benefit expenses, increased by 6.1% in 1990 as a result of labor contract provisions, and higher fringe benefit rates. Labor effort was also greater than the prior year due to extraordinary maintenance on old buses when the delivery of new buses was delayed. The impact of this delivery delay was also experienced in material usage, which increased by 18% over 1989.

Fuel costs increased substantially as fuel prices soared during the Gulf crisis.

These costs were partially offset by savings in propulsion power expense due to rate reductions ordered by the Illinois Commerce Commission.

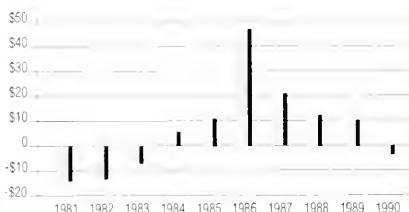
The costs of injuries and damage claims increased because of the effects of a large payout experienced during 1990. Other expense increases were primarily due to increased security expenditures and contracted maintenance.

The primary revenue impact was felt in fares, which were restructured in late April. The new structure provided a 5.4% increase in revenue, and caused many pass-buyers to shift to tokens, which were steeply discounted. Reduced fare reimbursements from the state increased because the program was in place for the entire year in 1990, having been established in the last half of 1989.

(continued)

	Fiscal Year		1989%
	1990	1989	Inc. (Dec.)
	(millions of dollars)		
<i>Operating Expenses</i>			
Labor	539.5	508.4	6.1 %
Material, supplies	66.8	56.6	18.0 %
Fuel for revenue equipment	18.8	13.8	36.2 %
Power for revenue equipment	20.1	22.3	(9.9) %
Provision for injuries and damages	22.4	17.6	27.3 %
Other	60.8	58.4	4.1 %
Total	728.4	677.1	7.6 %
<i>System Revenues</i>			
Farebox	266.9	243.0	9.8 %
Pass revenues	68.7	75.3	(8.8) %
Total fares	335.6	318.3	5.4 %
Reduced fare reimbursements	34.4	13.2	160.6 %
Advertising, other	8.2	7.0	17.1 %
Interest	6.3	6.1	3.3 %
Contribution from local governments	5.0	5.3	(5.7) %
Total	389.5	349.9	11.3 %

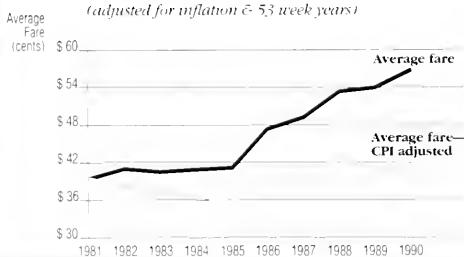
**Chicago Transit Authority
Unrestricted Cash Balances, 1981-1990**
(dollars in millions)



**Chicago Transit Authority
Operating Expense, 1981-1990**
(adjusted for inflation & 53 week years)



**Chicago Transit Authority
Average Fare, 1981-1990**
(adjusted for inflation & 53 week years)



Public subsidy of the operating deficit, in the form of RTA operating assistance, increased by 2.5% over 1989.

On the capital side, substantial progress was made during the year in fleet renewal. The first deliveries were taken on 961 new buses that will replace half of the existing fleet, the oldest of any major agency in North America. Work also began on the construction of 256 new railcars and on the rehabilitation of 234 aging railcars.

Although the financial performance of the Authority was strong in 1990, many challenges loom on the horizon. Funding support from the state and federal government which is needed for both operating and capital purposes is threatened. CTA's cash position is a growing concern.

CTA operating expenses, when adjusted for inflation, have been remarkably constant over the last ten years. Fares have also remained relatively constant when adjusted for inflation. While the average fare has climbed steadily on an absolute basis, the inflation-cleansed fare has remained at approximately \$40 since 1981.

I hope that the financial statements, notes and other information included in this report are useful and understandable. A companion document, the Comprehensive Annual Financial Report (CAFR) for 1990, is available for further reference. We are pleased to report that, for the second consecutive year, the Chicago Transit Authority's CAFR for 1989, from which some of the information in this financial section is drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

Respectfully,

Daniel R. Leffers
Deputy Executive Director, Finance



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Chicago Transit Board

Chicago Transit Authority

We have audited the accompanying balance sheet of the Chicago Transit Authority (an Illinois municipal corporation) as of December 29, 1990 and the related statements of expenses, revenue and accumulated deficit, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Chicago Transit Authority for the fiscal year ended December 30, 1989 were audited by other auditors, whose report dated April 27, 1990 expressed an unqualified opinion on such statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chicago Transit Authority at December 29, 1990 and the results of its operations and changes in its financial position for the fiscal year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements for the fiscal year ended December 29, 1990 taken as a whole. The accompanying schedule listed as Supplementary Information in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Chicago Transit Authority. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to those financial statements taken as a whole.

Deloitte & Touche

May 3, 1991

ASSETS

	Notes	December 29, 1990	December 30, 1989
CURRENT ASSETS			
Cash and cash equivalents		\$ 29,013,762	\$ 43,288,885
Investments		31,064,461	15,826,807
Total cash equivalents and investments (including restricted assets of \$53,094,126 in 1990 and \$42,094,727 in 1989)	4,6	60,078,223	59,115,692
Grants receivable:			
Due from the RTA	5	79,635,908	52,617,629
Capital improvement projects from federal and state sources		12,054,427	4,425,226
Other		1,707,245	3,394,587
		93,397,580	60,437,442
Accounts receivable		11,112,533	9,513,417
Materials and supplies		58,599,739	55,416,436
Prepaid expenses and other assets		2,986,170	4,730,494
Total current assets		226,174,245	189,213,481
OTHER ASSETS			
Investments designated for employees' deferred compensation plan	4,7	127,585,356	113,849,592
Cash and investments held by Trustee for supplemental retirement plan	9	5,405,859	4,924,175
		132,991,215	118,773,767
TRANSPORTATION PROPERTY AND EQUIPMENT	8		
Land		18,717,278	18,508,459
Buildings		329,401,757	306,486,476
Transportation vehicles:			
Rail		518,353,447	505,240,472
Bus		236,609,840	223,326,148
Elevated structures, tracks, tunnels and power system		365,000,436	354,315,001
Signals		100,035,954	103,521,808
Other equipment		59,876,770	53,178,266
Less accumulated depreciation		1,634,655,482 (647,788,901)	1,564,570,750 (589,197,720)
		980,806,581	975,379,030
TOTAL ASSETS		\$1,346,032,041	\$1,283,366,278

See notes to financial statements.

LIABILITIES AND FUND EQUITY

		Notes	December 29, 1990	December 30, 1989
CURRENT LIABILITIES				
Bank overdraft			\$ 10,082,569	\$ 6,865,852
Accounts payable			47,096,940	46,924,682
Current portion of group health and workers' compensation insurance liability	6		22,000,000	9,000,000
Accrued payroll, vacation pay and related liabilities			53,143,308	48,880,672
Deferred passenger revenue			4,907,650	4,087,224
Advances, deposits and other			24,374,982	22,622,986
Estimated current portion of injury and damage reserve	6		13,500,000	9,400,000
Deferred operating assistance	5		11,799,431	3,664,247
Total current liabilities			186,904,940	151,415,663
LONG-TERM LIABILITIES				
Group health and workers' compensation insurance liability, less current portion	6		11,514,722	6,434,000
Accrued vacation pay, less current portion	6		7,106,985	4,158,934
Injury and damage reserve, less current portion	6		31,089,879	37,581,464
Employees' deferred compensation plan	7		127,585,356	113,849,592
Accrued pension costs	9		132,739,510	121,419,510
Supplemental retirement plan	9		5,414,935	4,950,052
Other long-term liabilities			2,132,253	2,273,500
Total long-term liabilities			317,583,640	290,667,052
Total liabilities			504,488,580	442,112,715
EQUITY				
Contributed capital	10		1,017,600,645	1,001,999,064
Accumulated deficit	11		(176,057,184)	(160,745,501)
Total equity			841,543,461	841,253,563
TOTAL LIABILITIES AND FUND EQUITY			\$1,346,032,041	\$1,283,366,278

		Notes	Fiscal Year Ended	
			December 29, 1990	December 30, 1989
OPERATING EXPENSES				
Labor			\$539,495.1 ⁷⁷	\$508,419,629
Materials and supplies			66,795,298	56,544,608
Fuel			18,808,691	13,836,807
Electric power			20,055,268	22,308,054
Provision for injuries and damages			22,400,000	17,612,100
Maintenance and repairs, utilities, rent and other			60,878,039	58,424,252
			728,432,473	677,145,450
Provision for depreciation			62,125,093	59,464,481
			790,557,566	736,609,931
SYSTEM-GENERATED REVENUE				
Fare box revenue			266,938,823	243,001,804
Pass revenue			68,699,505	75,292,046
			335,628,328	318,293,850
Reduced fare reimbursements			34,405,874	13,167,935
Advertising and concessions			4,391,525	3,411,342
Interest income			6,304,814	6,132,003
Contributions from local governmental units			5,000,000	5,348,627
Other revenue			3,734,650	3,497,671
			389,475,191	349,851,428
PUBLIC FUNDING FROM RTA				
Operating expenses in excess of system-generated revenue			401,082,375	386,758,503
Operating assistance	5		327,637,282	319,867,023
Net loss			73,445,093	66,891,480
Add credit arising from transfer of provision for depreciation of transportation property and equipment acquired through capital grants	10		58,133,410	54,949,083
ACCUMULATED DEFICIT				
Increase in accumulated deficit			15,311,683	11,942,397
Accumulated deficit—beginning of year			160,745,501	148,803,104
Accumulated deficit—end of year			\$176,057,184	\$160,745,501

See notes to financial statements.

	Fiscal Year Ended	
	December 29, 1990	December 30, 1989
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating expenses in excess of system-generated revenue	\$(401,082,375)	\$(386,758,503)
Adjustments to reconcile operating expenses in excess of system-generated revenue to net cash used in operating activities:		
Depreciation	62,125,093	59,464,481
Interest income related to noncapital financing activities	(6,304,814)	(6,132,003)
Operating grants from local governments	(5,000,000)	(5,348,627)
Change in assets and liabilities:		
Increase in accounts receivable	(1,599,116)	(4,685,943)
Increase in materials and supplies	(3,183,303)	(4,121,727)
Decrease (increase) in prepaid expenses and other assets	2,511,389	(2,361,027)
Increase in supplemental retirement plan assets	(481,684)	(457,782)
Increase in grants receivable	(15,209,255)	(13,167,935)
Increase in accounts payable	172,258	7,258,175
Increase (decrease) in accrued payroll, vacation pay and related liabilities	7,210,747	(1,988,240)
Increase in group health and workers' compensation insurance liability	18,080,722	2,434,000
Increase in deferred passenger revenue	820,426	991,280
Increase (decrease) in advances, deposits and other	4,909,946	(+35,971)
Decrease in injury and damage reserve	(2,391,585)	(1,415,127)
Increase in accrued pension costs	11,320,000	6,709,336
Increase (decrease) in other long-term liabilities and supplemental retirement plan	323,636	(1,545,050)
Net cash used in operating activities	(327,777,915)	(351,560,663)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants from RTA	333,958,018	319,038,730
Operating grants from local governments	5,000,000	5,000,000
Net cash provided by noncapital financing activities	338,958,018	324,038,730
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments for acquisition and construction of assets	(86,944,207)	(43,927,294)
Capital grants received	67,972,169	46,547,656
Net cash (used in) provided by capital financing activities	(18,972,038)	2,620,362
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(51,041,503)	(36,047,243)
Proceeds from redemption or maturity of investments	35,803,849	27,814,184
Interest received on investments	5,537,749	6,050,441
Net cash used in investing activities	(9,699,905)	(2,182,618)
CASH, CASH EQUIVALENTS AND BANK OVERDRAFT		
Net decrease in cash, cash equivalents and bank overdraft	(17,491,840)	(27,084,189)
Cash, cash equivalents and bank overdraft—beginning of year	36,423,033	63,507,222
Cash, cash equivalents and bank overdraft—end of year	18,931,193	36,423,033
Add bank overdraft	10,082,569	6,865,852
Cash and cash equivalents—end of year	\$ 29,013,762	\$ 43,288,885

See notes to financial statements.

1. ORGANIZATION DATA

The Chicago Transit Authority ("CTA") was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois Legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The City Council of the City of Chicago has granted the CTA the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago.

The Regional Transportation Authority Act provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act established a regional oversight board (Regional Transportation Authority ("RTA")) and designated three service boards (Chicago Transit Authority, Commuter Rail Board and Suburban Bus Board). The Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least \$5,000,000 for public transportation and that the CTA (collectively with the other service boards) finance at least 50% of their operating costs, excluding depreciation and certain other items, from system-generated sources.

Financial Reporting Entity — In conformance with Governmental Accounting Standards Board standards, the CTA includes in its financial statements all funds over which the Chicago Transit Board exercises oversight responsibility. Oversight responsibility is defined to include the following considerations: selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, the scope of an organization's public service, and or special financing relationships.

Based on the application of the above criteria, the fund established for the employees' pension plan has been determined not to be part of the reporting entity. The fund is a legal entity separate and distinct from the CTA. The fund is administered by its own oversight committee, of which the CTA appoints half the members, and over which the CTA has no direct authority. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

The CTA is not considered a component unit of the RTA because, based on the application of the criteria described in the second preceding paragraph, the RTA does not exercise oversight responsibility in relation to the CTA. Although the RTA is required by the Act to approve the CTA's annual budget, the Act defines the sources of revenues to the RTA and the method of allocation to the CTA. Further, governing authority is entrusted to the Chicago Transit Board comprised of four members appointed by the Mayor of the City of Chicago and three members appointed by the Governor of the State of Illinois.

During 1990, the Governmental Accounting Standards Board issued an exposure draft of a proposed statement entitled "The Financial Reporting Entity". The proposed statement would establish standards for defining the financial reporting entity, including primary governments and component units. The CTA may be considered a component unit of the City of Chicago and may be required to submit financial information for inclusion in the footnotes to the City's financial statements or in the combined financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The operations of the CTA are accounted for on a proprietary fund basis. This basis is used when operations are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, and the periodic determination of revenues earned, costs incurred, and net income is appropriate.

Fiscal Year — The operating cycle of the CTA is aggregated by week. The fiscal years ended December 29, 1990 and December 30, 1989 contained 52 weeks combined into 12 periods ended the last full week of December.

Basis of Accounting and Measurement Focus — The accounts of the CTA are reported using the “flow of economic resources” (cost of services) measurement focus and the accrual basis of accounting. Under the “flow of economic resources” measurement focus, all assets and liabilities are included on the balance sheet. Fund equity consists of contributed capital and accumulated deficit. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Investments — Investments are generally stated at cost or amortized cost. Adjustments are made to cost, for any premium or discount, which is amortized over the maturity of the investment. Investments designated for employees’ deferred compensation benefits are stated at fair market value.

Chapter 85, Section 902 of the Illinois Revised Statutes authorizes the CTA to invest in obligations of the United States Treasury and United States agencies, direct obligations of any bank, commercial paper rated within the highest classification set by two standard rating services, or money market mutual funds investing in obligations of the United States Treasury and United States agencies.

Materials and Supplies — Materials and supplies inventories are stated at the lower of cost or market value. The CTA uses the average cost method to determine the cost of such inventories.

Transportation Property and Equipment and Depreciation — Transportation property (including major improvements) and equipment are recorded at cost. The cost of maintenance and repairs is charged to operations as incurred.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method at amounts based on the respective estimated useful lives of major asset classifications, as follows:

	Years
Buildings	45
Elevated structures, track, tunnels and power system	20-50
Transportation vehicles:	
Motor buses	12
Rail cars	30-33
Signals	20
Other equipment	10

The transportation system operated by the CTA includes certain facilities owned by others. The estimated cost of these facilities is \$483,100,000 and \$448,100,000 at December 29, 1990 and December 30, 1989, respectively. The CTA has the exclusive right to operate these facilities under the terms of the authorizing legislation and other agreements.

Self-Insurance — The CTA provides for the present value of the self-insurance programs for public liability and property damage, workers’ compensation and health benefit claims, as more fully described in Note 6. Claims are recorded in the year of occurrence. The public liability and property damage and workers’ compensation programs are administered by the CTA. The health benefit program is administered primarily by an outside third party insurer for a service fee.

Compensated Absences — Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave which has been earned but not paid has been accrued in the accompanying financial statements. Compensation for holiday, illness and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest.

Retirement Plan — The CTA has a retirement plan for all nontemporary full-time employees with service greater than one year. Pension expense recorded by the CTA includes a provision for current service costs and the amortization of past service cost over a period of approximately 30 years.

Reclassifications — Certain amounts in the 1989 financial statements have been reclassified to conform with the 1990 presentation.

Statement of Cash Flows — The statement of cash flows for fiscal year 1990, with restated comparative amounts for 1989, is presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

Cash equivalents include deposits and other investments with maturities of three months or less when purchased. There were no significant interest payments during 1990 and 1989.

3. BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required by the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The Metropolitan Transportation Authority Act requires that no expenditures for operations and maintenance in excess of budget be made without approval of the Chicago Transit Board.

The budget is prepared on a basis consistent with generally accepted accounting principles except for the exclusion of certain expenses which do not qualify under the Act for public funding, principally depreciation expense and pension expense in excess of pension contributions. CTA's actual expenses on a budgetary basis exceeded budgeted expenses before amendment by \$8,934,219 and \$770,511 in 1990 and 1989, respectively.

These expenses were offset by system revenue and did not require additional public funding. Budget amendments authorizing the actual level of expenses for both 1990 and 1989 were approved by the Chicago Transit Board. All annual appropriations lapse at fiscal year-end.

The RTA funds the budgets of the service boards rather than the actual operating expenses in excess of system-generated revenue. Favorable variances from budget remain as deferred operating assistance to the CTA, and can be used in future years with RTA approval.

The RTA approves the proposed budget based on a number of criteria.

- a. That the budget is in balance with regard to anticipated revenues from all sources including operating subsidies and the costs of providing services and funding operating deficits of encumbrances incurred in prior periods, including principal and interest due on outstanding indebtedness;
- b. That the budget provides for sufficient cash balances to pay with reasonable promptness all costs and expenses incurred;
- c. That the budget provides for the CTA to meet its required system-generated revenue recovery rates; and
- d. That the budget is reasonable, prepared in accordance with sound financial practices and complies with such other RTA requirements as the RTA Board of Directors may establish.

The RTA monitors the CTA's performance against the budget on a quarterly basis and if, in the judgment of the RTA, this performance is not substantially in accordance with CTA's budget for such period, the RTA shall so advise the CTA and the CTA must, within the period specified by the RTA, submit a revised budget to bring the CTA into compliance with the budgetary requirements listed above.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge government securities, the face value of which is at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

During 1990, the CTA complied with the provisions the Illinois Revised Statutes pertaining to the types of investments held, institutions in which deposits were made and security requirements. The CTA will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

The carrying amount of the CTA's deposits was \$(4,762,569), including certificates of deposit of \$5,320,000 and a bank overdraft of \$10,082,569 at December 29, 1990. The carrying value of deposits was \$1,554,148, including certificates of deposit of \$8,420,000 and a bank overdraft of \$6,865,852 at December 30, 1989. Balances per the banks were \$8,703,935 and \$11,984,943 in 1990 and 1989, respectively. Of those bank balances, \$2,101,040 and \$2,106,722 were covered by federal depository insurance and \$6,602,895 and \$9,878,221 were uninsured in 1990 and 1989, respectively. The entire uninsured amounts were covered by collateral held by the CTA's custodial bank in the CTA's name.

The CTA's investments at year-end were entirely covered by a master trust agreement with a custodial bank. Under the terms of this agreement, the custodial bank or its agent holds all instruments in the CTA's name. Excluded from the master trust agreement are investments in pools of \$127,585,356 in 1990 and \$113,849,592 in 1989 managed by a third-party administrator under the Employees' Deferred Compensation Plan Agreement.

The CTA's investments are detailed below and are categorized to give an indication of the level of risk assumed as of year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the custodial bank in the CTA's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty in the CTA's name. Category 3 includes uninsured or unregistered investments for which securities are held by the counterparty or by their trust department or agent but not in the CTA's name.

	Risk Category			Carrying Amount	Market Value
	1	2	3		
United States					
Treasury securities	\$23,929,711	\$ -	\$ -	\$23,929,711	\$24,659,025
Commercial paper	20,863,512			20,863,512	20,863,512
Repurchase agreements	9,965,000			9,965,000	9,965,000
	54,758,223	-	-	54,758,223	\$55,487,537
Certificates of deposit					5,320,000
Total cash and cash equivalents and investments					\$60,078,223

Restricted cash and investments are comprised of the following amounts:

	1990	1989
Monies committed for capital expenditures	\$16,630,038	\$20,114,697
Injury and damage reserve—Note 6	19,907,554	21,980,030
Group health reserve—Note 6	16,556,534	
	\$53,094,126	\$42,094,727

5. PUBLIC FUNDING FROM THE REGIONAL TRANSPORTATION AUTHORITY

As discussed in Note 1, the Regional Transportation Authority Act ("Act") established the RTA as a regional oversight board and defined the sources of funding to the RTA. Under the Act, each service board is entitled to a portion of the funds received by RTA. The allocation of these funds to each service board is based on various methods as defined in the Act. For fiscal years 1990 and 1989, the CTA's allocations of funds received from the RTA were \$335,770,976 and \$321,708,000, respectively, which were used to substantially fund the 1990 and 1989 operating deficits. In addition, CTA operations provided \$8,133,694 in 1990 and \$1,840,977 in 1989 of deferred operating assistance available for use in future years.

The components of budgeted operating assistance received from the RTA were as follows:

	1990	1989
UMTA operating assistance	\$ 42,539,730	\$ 42,608,130
Illinois state sales tax allocation	147,895,180	185,957,235
Replacement and use tax	45,007,240	
Public Transportation Fund	97,300,000	91,006,000
RTA discretionary funding	5,028,820	2,136,635
	<hr/> \$335,770,976	<hr/> \$321,708,000

6. INJURY AND DAMAGE, GROUP HEALTH INSURANCE AND WORKERS' COMPENSATION SELF-INSURANCE PROGRAMS

Chapter 111 2/3, Section 339 of the Illinois Revised Statutes requires the CTA to establish a damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, demands, rights and causes of action, and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance and operation of the transportation system.

The statute also requires the CTA to separately fund the damage reserve. For a period of time prior to 1987, transfers from unrestricted cash were made into the damage reserve cash account only when required to meet current obligations. It is the present policy of the CTA to fund the current provision for the damage reserve.

At December 29, 1990 and December 30, 1989, unrestricted cash and short-term investments amounting to \$27,182,325 and \$25,001,434, respectively, would need to be transferred to restricted cash and short-term investments in order to separately fund the damage reserve. See Note 4 regarding amounts maintained in this account.

The CTA participates in a Loss Financing Plan ("Plan") with the RTA that permits the CTA to receive monies necessary to pay damages and losses in excess of \$2.5 million per occurrence up to a maximum of \$47.5 million from a fund established by the RTA. The CTA is obligated to reimburse the fund for any damages paid; however, in no event shall reimbursement payments including interest exceed \$3.5 million in any one year. As of December 29, 1990, the CTA had drawn \$2.5 million from the Plan to pay damages and losses.

During the year ended December 29, 1990, the CTA established a self-insurance program for health benefits. The CTA is also self-insured for workers' compensation claims for its employees. A liability for each self-insured risk is provided based upon the present value of the estimated ultimate cost of settling claims using case-by-case review and historical experience, adjusted for current trends and a discount factor of 7.5%. A liability for claims incurred but not reported is also provided.

Changes in the self-insurance accounts were as follows:

	Injury and Damage	Group Health	Workers' Compensation
Balance at January 1, 1989	\$ 48,396,591	\$	\$14,005,957
Provision	17,612,100		11,183,722
Payments	(19,027,227)		(9,755,679)
Balance at December 30, 1989	16,981,464		15,134,000
Establishment of Self-insurance Fund	15,079,180		
Provision	22,400,000	54,472,979	11,507,511
Payments	(24,791,585)	(52,995,625)	(9,985,323)
Balance at December 29, 1990	<u>\$ 14,589,879</u>	<u>\$6,556,534</u>	<u>\$16,958,188</u>

7. EMPLOYEES' DEFERRED COMPENSATION PLAN

The CTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all CTA employees, permits deferral of a portion of compensation until future years. The deferred amount is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the CTA (without being restricted to the provisions of benefits under the plan), subject only to the claims of the CTA's general creditors. Participants' rights under the plan are equal to those of general creditors of the CTA in an amount equal to the fair market value of the deferred amount for each participant.

It is the opinion of the CTA's plan counsel that the CTA has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The CTA believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Participating employees may request that their deferred compensation be invested, at the discretion of the CTA, in any of several investment funds. The recorded amounts are stated at aggregate fair market value of such investment funds. All costs and expenses of administering the plan are borne by the participants.

Plan activity was as follows:

	1990	1989
Balance at beginning of year	\$113,849,592	\$ 92,688,468
Additions (deductions):		
Employee contributions	12,986,963	12,599,768
Plan earnings and other adjustments	7,743,899	13,878,167
Employee withdrawals	(6,841,395)	(5,202,916)
Administrative expenses	(153,703)	(113,895)
Balance at end of year	<u>\$127,585,356</u>	<u>\$113,849,592</u>

8. TRANSPORTATION PROPERTY AND EQUIPMENT

As of December 29, 1990, CTA has capital grant contracts with the United States Department of Transportation, Urban Mass Transportation Administration (UMTA), with the State of Illinois Department of Transportation (IDOT) under the Transportation Bond Act and with the RTA for a total of approximately \$2.1 billion. Under these contracts, the CTA has acquired rapid transit cars and is constructing, renewing and improving various portions of track structures and related operating facilities and systems. It is anticipated that UMTA will finance approximately

80% of the total cost of these projects, with the balance of the cost being financed principally by IDOT and the RTA. From the inception of the grant program in 1972, through December 29, 1990, approximately \$1.3 billion has been expended by the CTA under these capital grant contracts, and substantial commitments have been entered into for the remainder. In addition to the federal capital grant contracts above, the CTA has local capital grant contracts, which are 100% funded by the RTA. These local contracts total \$219,000,000, of which \$34,000,000 has been expended through December 29, 1990.

Funding sources for transportation property and equipment of the CTA are as follows:

	1990	1989
Funding source		
Federal (UMTA)	\$1,126,258,075	\$1,061,011,081
State (principally IDOT)	252,866,520	245,485,491
City of Chicago	112,819,326	111,729,931
CTA (generally prior to 1973)	116,273,855	118,533,737
Other	26,437,726	29,816,510
	<hr/> \$1,634,655,482	<hr/> \$1,564,576,750

9. DEFINED BENEFIT PENSION PLANS

Plan Descriptions — The CTA maintains three trusted, single-employer, defined benefit pension plans covering substantially all full-time permanent union and non-union employees and Chicago Transit Board members (collectively "Plans"). The Employees' Retirement Plan ("Union Plan") is governed by the terms of the employees' collective bargaining agreement. The Retirement Plan for Board Members and the Supplemental Retirement Plan for Officers, Executives, Supervisory and Professional Employees ("Supplemental Plans") provide benefits in addition to the Union Plan to management employees and Chicago Transit Board members.

Substantially all non-temporary full-time employees who have completed 12 months of continuous service are covered by the Plans. Employees who retire at or after age 65 (or after completion of 25 years of continuous service with full benefits or at age 55 with reduced benefits) are entitled to an annual retirement benefit payable monthly for life, in an amount based upon compensation and credited service. The Union Plan also provides death, disability and hospitalization benefits.

The covered payroll for the Union Plan for 1990 and 1989 was \$388,390,050 and \$365,023,585, respectively. The covered payroll for the Supplemental Plans for 1990 and 1989 was \$13,213,002 and \$11,057,476, respectively. The CTA's total payroll in 1990 and 1989 was \$429,275,125 and \$403,468,345, respectively.

Funding Status and Progress — The amounts shown in the table below as the "pension benefit obligation" are standard disclosure measures of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The standard measure is intended to help users assess the funding status of the Plans on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the system.

The pension benefit obligations for the Plans were computed as part of actuarial valuations performed as of January 1, 1990. Significant actuarial assumptions used in the valuations include (a) a rate of return on the investment of present and future assets of 8.25% per year, (b) projected inflationary salary increases of 5% per year, and (c) no postretirement benefit increases. There were no significant assumption changes from the January 1, 1989 valuation.

The total unfunded pension benefit obligation applicable to the Plans at January 1 is disclosed in the table below:

	Union Plan		Supplemental Plans	
	1990	1989	1990	1989
Pension benefit obligation:				
Retirees and beneficiaries currently receiving benefits and terminated employees				
not yet receiving benefits	\$375,805,000	\$359,232,000	\$6,160,659	\$5,524,245
Current employees:				
Accumulated employee contributions including allocated investment earnings	136,035,000	129,117,000	118,335	99,540
Employer-financed vested	394,757,000	373,962,000	4,119,572	3,625,252
Employer-financed nonvested	79,237,000	83,755,000		
Total pension benefit obligation	985,834,000	946,066,000	10,398,566	9,219,037
Net assets available for plan benefits, at market value	962,076,000	842,593,000	6,911,053	6,143,223
Unfunded pension benefit obligation	<u>\$ 23,758,000</u>	<u>\$103,473,000</u>	<u>\$3,487,513</u>	<u>\$3,105,814</u>

Contributions Required and Contributions Made — The contribution requirement for the Union Plan is not actuarially determined; the funding policy was established by the terms of the employees' collective bargaining agreement. The CTA is required to contribute 7.5% of covered payroll and participants with service greater than one year are required to contribute 3.0% of their compensation. The CTA's contributions to the Union Plan for fiscal 1990 and 1989 were \$29,205,000 and \$27,482,682 and CTA employees contributed \$11,686,000 and \$10,949,329 in 1990 and 1989, respectively. The contribution to the Supplemental Plans was actuarially determined and was \$1,180,095 and \$996,773 for 1990 and 1989, respectively.

As determined by actuarial computations performed for 1990 and 1989, the contributions are not adequate to amortize each component of the current unfunded past service liability over a 30-year period. The contribution deficiency for the Union Plan including interest, as computed by the actuary, was \$4,765,000 and \$3,159,000 for 1990 and 1989, respectively.

Trend Information — The following trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due:

Union Plan	1990	1989	1988
Net assets available for benefits			
(at current value) expressed as a percentage of the pension benefit obligation (percentage funded)	98%	89%	85%
Unfunded pension benefit obligation expressed as a percentage of annual covered payroll	6	28	37
Employer contributions expressed as a percentage of annual covered payroll	7.5	7.5	7.1
Supplemental Plans	1990	1989	1988
Net assets available for benefits			
(at current value) expressed as a percentage of the pension benefit obligation (percentage funded)	66%	66%	N/A
Unfunded pension benefit obligation expressed as a percentage of annual covered payroll	26	28	N/A
Employer contributions expressed as a percentage of annual covered payroll	31	33	N/A

Additional trend information presenting the progress in accumulating sufficient assets to pay benefits may be found in the Plans' annual reports or actuarial reports. An actuarial report was not prepared for the Supplemental Plans for 1988.

10. CONTRIBUTED CAPITAL

Donated assets or grants for the acquisition of capital assets are recorded as contributions of capital. Depreciation recognized on assets donated or acquired through capital grants has been applied to the appropriate contributed capital account.

Changes in contributed capital are as follows:

	Federal	Contributed Capital		
		State	Other	Total
Balance at January 1, 1988	\$663,237,314	\$166,169,327	\$183,293,030	\$1,012,699,671
Transfer of provision for depreciation of transportation property and equipment acquired through capital grants	(42,959,193)	(9,780,937)	(2,208,953)	(54,949,083)
Contributions for transportation property and equipment additions and improvements	34,430,779	4,234,295	5,583,402	44,248,476
Balance at December 30, 1989	654,708,900	160,622,685	186,667,479	1,001,999,064
Transfer of provision for depreciation of transportation property and equipment acquired through capital grants	(38,397,117)	(9,062,999)	(10,673,294)	(58,133,410)
Contributions for transportation property and equipment additions and improvements	55,792,503	7,070,928	10,871,561	73,734,991
Balance at December 29, 1990	<u>\$672,104,286</u>	<u>\$158,630,614</u>	<u>\$186,865,746</u>	<u>\$1,017,600,645</u>

11. ACCUMULATED DEFICIT

The accumulated deficit primarily represents operating costs not eligible for reimbursement under the RTA agreement, principally consisting of accrued pension costs in excess of pension contributions and depreciation expense on CTA funded assets. It is anticipated that the accumulated deficit will be reduced in future years as funding of pension liabilities exceeds the amount of pension expense provided.

12. COMMITMENTS AND CONTINGENCIES

The CTA is party to numerous legal proceedings arising in the normal course of operations. Resolution of all legal proceedings is not, in the opinion of management, likely to have a material adverse impact on the CTA's financial position.

The CTA participates in a number of Federal and state assisted grant programs, which are subject to audit to ensure compliance with the grant provisions. Based upon past experience and management's judgment, the CTA has made a provision for questioned costs.

CTA management expects such provision to be adequate to cover actual future amounts to be disallowed.



	Actual— Budgetary Basis	Original Budget ¹	Variance Favorable (Unfavorable)
OPERATING EXPENSES			
Labor	\$528,175,177	\$525,645,160	\$(2,530,017)
Materials and supplies	66,795,298	62,068,765	(4,126,533)
Fuel for revenue equipment	18,808,691	14,685,591	(4,123,100)
Electric power for revenue equipment	20,055,268	22,640,858	2,591,590
Provision for injuries and damages	22,400,000	17,500,000	(4,900,000)
Maintenance and repairs, utilities, rent, and other	60,878,039	65,031,880	4,153,841
	\$17,112,473	\$708,178,254	(8,934,219)
SYSTEM-GENERATED REVENUES			
Fares and passes	335,638,328	325,231,946	10,406,382
Reduced fare reimbursements	34,405,874	29,919,000	4,486,874
Advertising and concessions	4,391,525	1,390,000	(4,475)
Interest income	6,304,814	5,000,000	1,298,814
Contributions from local government units	5,000,000	5,000,000	-
Other revenue	3,734,050	3,373,000	361,050
	Total system-generated revenues (A)	389,475,191	\$72,925,946
PUBLIC FUNDING FROM RTA			
Operating expenses in excess of system-generated revenue	327,637,282	335,252,308	\$(6,615,026)
Operating assistance	327,637,282	335,252,308	\$(6,615,026)
NET LOSS — Budgetary Basis	\$ -	\$ -	\$ -
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS			
Provision for depreciation	862,125,093		
Pension expense in excess of pension contributions	11,320,000		
Net loss — GAAP Basis	\$73,445,093		
CTA RECOVERY RATIO			
Total operating expenses	\$17,112,473	\$708,178,254	
Less mandated security costs	5,118,425	4,885,673	
Sub-total (B)	\$11,994,048	\$703,292,581	
Recovery Ratio (A) ÷ (B)	54.70%	53.02%	

¹ Final budget was amended to authorize actual level of expenses.

(millions of dollars)

Function	1981	1982	1983*	1984	1985	1986	1987	1988*	1989	1990
Transportation	\$280.2	\$266.3	\$282.6	\$283.1	\$302.0	\$300.1	\$304.2	\$313.2	\$321.2	\$346.2
Vehicle maintenance	112.5	119.3	132.1	132.1	141.6	142.9	148.2	164.7	163.0	177.6
Plant maintenance	53.4	51.1	55.5	58.9	67.1	68.1	69.1	81.1	82.0	87.6
Motor fuel	29.5	25.7	22.4	21.5	20.2	11.8	12.4	11.4	13.8	18.8
Rail power	12.7	14.2	16.9	18.8	20.7	22.9	22.7	21.1	22.3	20.1
Provision for injuries and damages	18.2	10.5	10.2	11.0	15.5	24.2	24.2	17.9	17.6	22.4
Administration	33.4	26.5	24.5	32.9	41.9	36.3	45.7	53.8	57.2	55.7
Total Expense	\$539.9	\$515.0	\$544.2	\$558.3	\$609.0	\$606.3	\$626.5	\$663.2	\$677.1	\$728.4

(millions of dollars)

Function	1981	1982	1983*	1984	1985	1986	1987	1988*	1989	1990
Farebox Passes	\$214.5	\$216.0	\$216.4	\$219.0	\$217.8	\$224.9	\$222.4	\$244.0	\$243.0	\$266.9
-48.2	-46.9	-47.6	-51.4	-55.2	-75.6	-78.9	-79.6	-75.3	-68.7	
Total Fares	262.7	262.9	264.0	270.4	273.0	300.5	301.3	323.6	318.3	335.6
Reduced fare reimbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.2	34.4
Advertising and other	4.1	3.8	4.4	5.2	5.8	7.4	7.2	7.3	6.7	7.9
Interest	2.0	2.0	1.2	3.3	7.3	6.2	6.0	6.0	6.1	6.3
Local government contributions	0.0	0.0	0.0	16.8	5.0	5.0	5.0	5.0	5.3	5.0
Charter service	0.8	0.7	0.6	0.6	0.6	0.7	0.6	0.5	0.3	0.3
Sale of tax benefits	0.0	2.1	4.0	2.7	4.0	2.9	1.2	0.0	0.0	0.0
Total System Revenue	269.6	271.5	274.2	299.0	295.7	322.7	321.3	342.4	349.9	389.5
Public funding	270.5	222.7	253.9	241.7	289.3	268.3	297.9	311.3	319.9	327.6
Total Revenue	\$540.1	\$494.2	\$528.1	\$540.7	\$585.0	\$591.0	\$619.2	\$653.7	\$669.8	\$717.1

* = 53 week year

(Percent of operations funded by system revenues)

(millions of dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Operating expense (GAAP Basis)	\$539.9	\$513.6	\$544.2	\$558.3	\$609.0	\$606.3	\$626.5	\$663.2	\$677.1	\$728.4
Adjustments to budgetary basis										
Less: Accrued pension cost	-	(16.1)	(15.6)	(17.6)	(24.0)	(15.3)	(7.3)	(9.5)	(7.4)	(11.3)
Special service assistance	-	-	-	-	-	(2.3)	(0.7)	-	-	-
Security costs exempt from recovery ratio	-	-	-	-	-	-	-	(1.0)	(5.1)	
Operating expenditures (budgetary basis)	\$539.9	\$497.5	\$528.6	\$540.7	\$585.0	\$588.7	\$618.5	\$653.7	\$668.7	\$712.0
System revenue (GAAP Basis)	\$269.6	\$271.5	\$274.2	\$299.0	\$295.7	\$322.7	\$321.3	\$342.4	\$349.9	\$389.5
Adjustments to budgetary basis										
Less: Reduced fare reimbursement excluded from recovery ratio	-	-	-	-	-	-	-	(13.2)	-	
System revenues (budgetary basis)	\$269.6	\$271.5	\$274.2	\$299.0	\$295.7	\$322.7	\$321.3	\$342.4	\$336.7	\$389.5
Recovery ratio:										
System revenue as a percent of operating expenditures	49.9%	54.6%	51.9%	55.3%	50.5%	54.8%	52.0%	52.4%	50.4%	54.7%

(millions of dollars)

The Authority is able to retain the benefits of operating efficiencies. Since 1984, RTA has funded the annual budget rather than the deficit. Savings achieved, and available for future years are detailed below.

	1984	1985	1986	1987	1988	1989	1990	Total
Budgeted funding	\$245.0	\$308.5	\$297.3	\$285.9	\$309.8	\$321.7	\$335.8	
Actual deficit	241.7	289.3	268.3	297.9	311.3	319.9	327.9	
Positive variance	3.3	19.2	29.0	(12.0)	(1.5)	1.8	7.9	
Applied to:								
Capital projects	(1.8)	(15.3)	(1.3)	(1.0)	0.0	(16.7)	0.0	
Deferred assistance @ 12/29/90	1.5	3.9	27.7	(13.0)	(1.5)	(14.9)	7.9	11.6
Reserved for:								
Subsequent years								(1.3)
Fiscal year conversion								(1.4)
Deferred assistance available								\$8.9

(millions of trips)

Passenger Trips	1981	1982	1983*	1984	1985	1986	1987	1988*	1989	1990
Bus	491.5	468.1	474.0	485.3	486.5	465.9	438.7	430.1	420.6	421.2
Rail	173.1	170.1	173.1	177.4	179.7	168.0	171.3	174.4	168.7	165.7
Demand response	0.0	0.1	0.1	0.1	0.2	0.5	0.8	0.9	0.9	0.9
Total	664.6	638.3	647.2	660.8	666.4	634.4	610.8	605.4	590.2	587.8

(millions of miles)

Passenger Miles	1981	1982	1983*	1984	1985	1986	1987	1988*	1989	1990
Bus	1,130.8	1,076.7	1,101.7	1,103.8	1,163.4	1,125.2	1,056.3	1,002.1	1,034.2	977.1
Rail	1,263.9	1,241.9	1,263.7	1,097.8	1,141.5	1,067.3	1,136.4	1,081.5	1,050.9	1,019.3
Demand response	0.0	1.2	1.0	1.2	1.4	3.6	6.2	6.9	7.3	7.5
Total	2,394.7	2,319.7	2,366.4	2,202.8	2,306.3	2,190.1	2,198.9	2,090.5	2,092.4	2,003.9

(millions of miles)

Vehicle Revenue Miles	1981	1982	1983*	1984	1985	1986	1987	1988*	1989	1990
Bus	77.6	74.3	75.5	72.3	72.2	72.3	72.4	74.2	72.8	72.6
Rail	49.8	48.8	46.4	45.6	47.6	46.5	47.0	55.1	54.6	56.6
Demand response	0.0	0.6	1.0	0.9	1.0	2.6	4.1	4.3	4.7	4.7
Total	127.4	123.7	122.9	118.8	120.8	121.4	123.5	133.6	132.1	133.9

* = 53 week year

(Federal Program)

(in millions)

CTA Fiscal Year	Amounts Awarded	
	Current	Cumulative
1972	\$140.4	\$140.4
1973	0.0	140.4
1974	95.5	235.9
1975	102.7	338.6
1976	64.4	403.0
1977	63.8	466.8
1978	70.3	537.1
1979	61.6	598.7
1980	105.5	704.2
1981	73.2	777.4
1982	113.6	891.0
1983	134.0	1,025.0
1984	101.9	1,126.9
1985	163.1	1,290.0
1986	140.6	1,430.6
1987	101.3	1,531.9
1988	76.8	1,608.7
1989	27.9	1,879.6
1990	229.6 *	2,109.2

* An additional \$170.2 million of regional grants was awarded during 1990.

(Federal Program)**at 12/29/1990, from inception in 1972**

(in millions)

Source of Grants Awarded		Use of Grants Awarded		
Funding Agency	Grant Amount	Budget Category	Budget Amount	Expended Obligated
Federal	\$1,654.0	Rail cars	\$ 769.3	\$ 739.1
State	296.7	Buses	381.2	374.4
RTA	157.8	Buildings	306.3	273.4
Other	0.7	Track & structure	290.0	270.5
Total	\$2,109.2	Total	\$2,109.2	\$1,950.4



Chicago Transit Authority

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